

CITY OF EXLINE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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City of Exline

Officials

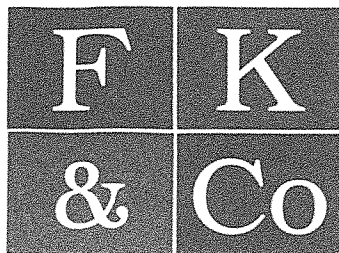
(Before January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| Jim Casteel | Mayor | Jan 2016 |
| Jim Burns | Council Member | Jan 2016 |
| Terry Hand | Council Member | Jan 2016 |
| Gary Hull | Council Member | Jan 2016 |
| Mary Ann Hurley | Council Member | Jan 2016 |
| Annette Sinclair | Council Member | Jan 2016 |
| Connie R. Foster | City Clerk/Treasurer | Indefinite |

(After January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| Jim Casteel | Mayor | Jan 2018 |
| Jim Burns | Council Member | Jan 2018 |
| Terry Hand | Council Member | Jan 2018 |
| Chuck Coffman | Council Member | Jan 2018 |
| Mary Ann Hurley | Council Member | Jan 2018 |
| Vicky Cowan | Council Member | Jan 2018 |
| Connie R. Foster | City Clerk/Treasurer | Indefinite |

City of Exline



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Exline for the period April 1, 2015 through March 31, 2016. The City of Exline's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Exline, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Exline and other parties to whom the City of Exline may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Exline during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Faller, Kincheloe & Co, PLC

A handwritten signature in cursive script that reads "Faller, Kincheloe & Co, PLC". The signature is written in dark ink and is positioned above the typed address and date.

Des Moines, Iowa
July 29, 2016

Detailed Recommendations

CITY OF EXLINE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparation and distribution.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Deposits and Investments – The City has not adopted an official investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

CITY OF EXLINE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (D) Certified Budget – No evidence could be located that a public hearing was held in relation to the fiscal year 2016 budget. Chapter 384.16 of the Code of Iowa requires the City to hold a public hearing prior to approving the budget.

No evidence could be located that the fiscal year 2016 budget was passed by resolution as required by Chapter 384.16 of the Code of Iowa.

Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and public works functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – A public hearing should be held prior to budget approval, as required by Chapter 384.16 of the Code of Iowa. In addition, the City’s budget should be passed by resolution as required by Chapter 384.16 of the Code of Iowa. Also, the budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (E) Payroll – The City Clerk’s salary was not documented in the City Council minutes. Instead, the City Council minutes indicated that the City Clerk received a raise.

Social Security and Medicare taxes were not paid for the Mayor and City Council members.

Recommendation – The City Clerk’s salary should be documented in the City Council minutes. In addition, all wages paid should be recorded as payroll, with applicable taxes remitted and wages reported to the IRS as required.

- (F) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires posting within fifteen days of each meeting of all City Council proceedings, including total disbursements from each fund, a summary of all receipts, and a list of approved claims. We noted that these requirements were not met by the City for all of the meetings tested.

The City does not post an agenda for the City Council meetings, as required by Chapter 21.4 of the Code of Iowa.

CITY OF EXLINE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – The City should comply with the Code of Iowa and post within fifteen days of each meeting all City Council proceedings, total disbursements from each fund, a summary of all receipts, and the list of approved claims. In addition, the City should post an agenda for the City Council meetings, as required by the Code of Iowa.

- (G) Public Notices – For postings of public notices, the City has not documented three public places in the City which have been permanently designated by ordinance, as required by the Code of Iowa.

Recommendation – The City should implement procedures to ensure the City documents three public places by ordinance for postings of public notices, as required by Chapters 362.3 and 372.13(6) of the Code of Iowa.

- (H) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report included beginning and ending fund balances which did not agree to the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree to the City's records.

- (I) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.